Great Systems Compensation Work System Improvement Tips

by **Kevin McManus**, Chief Excellence Officer and Systems Guy, **Great Systems**

How effective is your compensation work system?

How often do you get what you pay for? My basic definition of work is simple. Work is people spending time and money to make money.

Since you must spend the time to earn the wages, benefits, and other forms of compensation, the equation is even more simple. People spend money each day at work to make money.

While this seems simple, many organizations fail to ensure that the dollars paid out each day return an even higher amount of dollars back to the company. Even worse, leaders often fail effectively engage the hearts and minds of their people via a well-designed, and fair,

Top Compensation Work System Weaknesses

- Profit share and bonuses are limited to upper managers
- Compensation is not tied to skill development
- Formal recognition approaches are stagnant
- Pay practices and incentives are not aligned with the mission, vision, and values
- People are paid for doing things that they don't personally affect
- Sustainability is discounted or ignored
- People cannot see how their daily work impacts profitability
- Compensation is not equitable across all work groups
- People are paid for doing work that only adds limited value
- Extrinsic motivators are relied on too heavily

WIIFM

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"Simple systems, great results!"

"The first step on the road to high performance begins with a choice."

compensation package. What makes up your compensation package? How do you measure, analyze, and improve your compensation work systems?

How fair and value focused is your compensation work system?

I have worked in organizations where supervisors who perform essentially the same type of work receive drastically different levels of pay and other benefits. I have seen differences as great as 50%! Such discrepancies can emerge over time.

It is most difficult to reduce someone's wages once you have already set a precedent for paying them at that wage rate. However, you don't have to accept this discrepancy. You can expect greater daily contributions from those supervisors that earn more money each day.

In a similar sense, I question at times the justification that exists for the daily wages we pay to our middle and upper managers. I struggle to see the added value that someone provides to justify the additional $25,000 a year they earn in comparison to their direct reports.
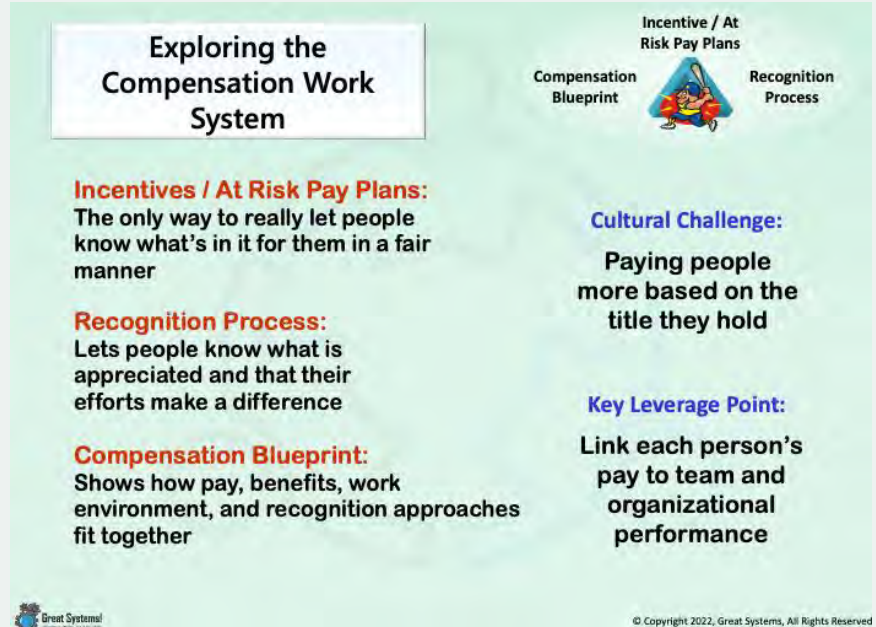
Sure, you might always have to leave the cell phone on. You might have to endure more stress, but is the difference as great as the 4 to 1, or 6 to 1, pay differentials that exist in today's workplaces?

How much value do our leaders provide daily?

The compensation work system waste potential concerns me enough. Additionally, we must consider the efficiency and focus factors that apply to the daily execution of management duties for each management position. We pay these people much more per hour. However, we often lack the mechanisms to make sure that we receive consistent contributions from these people for each hour that they work.

For these roles, we operate largely on trust. All too often, we pay people who get results that they may not personally play that much of a role in achieving.

You don't have to, and probably won't, blindly accept my opinions. Some these thoughts may sound only like cynicism. I don't expect blind acceptance. However, I would ask you to watch your people

work. Look at how they spend their time each day. Assess the types of results that they personally contribute to each day in exchange for how you compensate them.

Do you truly get what you pay for?

Has your recognition system expired?

The number of organizations that fail to recognize employee efforts on a consistent basis continues to amaze me. Even more workplaces fail to improve their recognition processes over time.

Giveaways, such as free t-shirts, gift certificates, and coffee mugs are nice. However, they cannot represent the only forms of saying 'thank you' that you use over the next five to ten years.

Recognition systems have an expiration date. From a motivational theory perspective, the work of Herzberg supports this. Herzberg's work explored the concept of satisfiers and dissatisfiers.

What works as a motivator now becomes only a dissatisfier in the future if it is taken away. In other words, over time, people begin to take for granted the things that once 'wowed' them. If your recognition process does not evolve over time, it will lose its motivational effectiveness.

I have seen this happen in real life, in more than one organization. This is especially true if the organization achieves consistent performance improvement success. For example, if your site's cost reduction efforts regularly save a million dollars or more each year, people begin to expect more than a meal or a $25 gift certificate when they help you to achieve this level of consistent savings. If you don't believe me, ask, and listen, to your people.

Do your people see value in their work?

I've been both a front-line manager and a corporate office person. I've spent hours working on the front lines as well doing the same thing minute by minute, hour by hour. Each job is hard in its own way, but there are significant differences in these types of work.

Office people can usually go to the bathroom whenever they want. They can take a break for a few minutes when things get stressful, and they can bask in the air conditioning when the weather gets hot.

I struggle to comprehend why the people that get the most money per hour also get the best working conditions. Do they really contribute that much more added value to their organizations?

When you do the same thing day in and day out, it becomes difficult to see the value that you give to the company each day. If you rarely see your external customers, it is even more difficult to determine if your daily efforts make a difference or not.

Such practices have essentially become the norm in most workplaces. People endure work to get money that allows them to enjoy the things they truly want, and like, to do in life. Work is a necessary evil to many people. It is not something they look forward to doing each day. That can be a problem.

The design of your compensation work system, coupled with frequent customer contact, helps establish an intrinsic desire to perform well on the job. When these factors return positive results, people feel appreciated. However, when these factors tend to promote negative feelings, the opposite effect occurs. If you want your staff to see value in their work, leaders must proactively manage these factors.

Is your compensation work system designed to recognize excellence?

When you consider the fact that we spend most of our waking hours at work, negative vibes in the workplace can have a very demotivating effect. However, not all organizations are like this.

Workplaces still exist that people want to be a part of and contribute to. Sure, the work might be hard and stressful, but the wages, benefits, work environment, and recognition make the work worth it.

In other words, the design of the compensation work system recognizes people for the value they provide each day. Plus, each person is consistently rewarded as they help their company sustain a balanced approach to performance improvement over time.

What key elements make up a great compensation package?

Too many organizations, consultants, and experts believe that money is the main factor that affects a person's desire to join or stay with a company.

My experience has shown me that money is more a de-motivator if the organization's compensation is not fair.

A perceived lack of compensation encourages people to pursue other options. If the organization's compensation practices are fair, people will recognize and respect this. I feel that work environment is the primary factor that attracts and retains key people.

How the Best Compensate Their People

- Involve all stakeholders in the planning effort
- Use one database to capture all possible improvements
- Allow all employees access to the project database
- Link company, team, and personal goals together
- Use a balanced scorecard of goals with top to bottom links
- Review performance regularly at all levels
- Identify resource requirements for all improvement efforts
- Use listening posts to collect inputs for planning
- Use a formal decision-making process in all areas

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Your work environment is defined by how leaders and peers treat people on the job. The amount of challenge each team member sees in their job is also important. Other key work environment elements include how you measure performance and how you recognize people for good work.

To attract and retain qualified people, address 'fair compensation' concerns first. Show your team how your organization's compensation package meets or exceeds what they can get elsewhere. For example, take the time to compare what your site offers from a compensation package perspective with other organizations in the community and region.
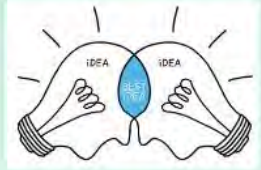
Once you have done that, you also must 'sell' your staff on the other three key aspects of compensation – benefits, work environment, and recognition. Keep in mind that in the present-day workplace, people give as much, if not more, weight to benefits as they do to hourly pay rates.

What makes a high-performance workplace different than the norm? A lot of it has to do with how their compensation work systems create a perception of fairness and focus. Plus, great workplaces are fun, or at least more fun, to be a part of than the average factory, job site, retail store, or office.

In a great workplace, leaders work hard to help people see what they earn in exchange for their daily contributions. They want their people to brag about their compensation, not complain about it.

Would you like to improve your compensation work system?

For over 40 years, I have helped leaders improve their compensation work system in multiple companies and workplace settings.

I continue to discover value added, simple ways to help pay your people for their efforts in a more effective manner.

For example, you can install a profit share processes, a more robust formal recognition approach, and a pay for skills learning program.

Improving Your Compensation Work System

Here are eleven ways to create a better compensation work system:

- Use a profit-share model that includes all employee groups – make it fair!
- Use a 'pay for skills' process to link learning to compensation
- Use a variety of formal and informal approaches to recognize contributions
- Teach people about the costs associated with all forms of compensation
- Increase business literacy at all levels through open book management
- Align personal compensation with the contributions people make each day
- Create a multi-year informal and formal recognition improvement plan
- Link your mission statement, job designs, and compensation blueprints together
- Design reward systems that focus primarily on intrinsic, not extrinsic, motivators
- Use in-process metrics to help minimize the contribution - compensation line of sight
- Use your internal customer survey to regularly assess compensation package value

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Failing to answer the 'what's in it for me?" question is the primary restrictor for this work system. When you redesign your compensation work system, you can better answer that question daily. If done properly, you will minimize the number of times people ask that question at all.

On this page you will see eleven ways to help improve your compensation work system.

To learn more about the compensation work system improvement tools that I offer, please send me an e-mail at **kevin@greatsystems.com.**

Keep improving!

BUY my "Pursuing Process Excellence" workbook NOW at Amazon.com

About the author

As Chief Excellence Officer of Great Systems LLC, Kevin McManus provides virtual coaching and content to help people use proven best practices to enhance and optimize their daily work systems.

Over forty years of work experience in roles such as Industrial Engineer, Training Manager, Production Manager, Plant Manager, and Director of Quality give Kevin a 'real life work' perspective relative to daily work process optimization, work team engagement and empowerment, and sustainable operational excellence.

As a contract trainer for the TapRooT® root cause analysis process, Kevin has taught over 450 courses and further enhanced his ability to help leaders proactively minimize risk, reduce errors, and improve reliability. Kevin holds an undergraduate degree in Industrial Engineering and an MBA. He served as a national Malcolm Baldrige Performance Excellence Award Examiner for twenty years, including a three-year term on the national Judge's Panel.

Kevin has authored the monthly performance improvement column for Industrial and Systems Engineer magazine for over 20 years, is an Institute of Industrial and Systems Engineering Fellow and has been a member of IISE for over forty years. His newest book, "Different Company – How the Best Build Great Organizations", will be published in late 2025."

If you would like more information about the improvement tools and systems I have to offer, please send me an e-mail at **kevin@greatsystems.com.**

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More Great Improvement Books by Kevin McManus!

Pursuing Process Excellence

- 150 pages of ideas and examples that will help you accelerate and sustain your process improvement efforts

- Over 25 examples of 'best practice' assessment tools that leaders can use to encourage and support high performance work

- 12 team exercises that can be used to begin applying each concept as it is learned

Vital Signs Measurement

- 128 pages of ideas and examples to help you make your existing measurement systems more meaningful

- Over 30 examples of 'best practice' measurement tools and techniques that leaders can use to promote high performance work

- 14 team exercises that can be used to begin applying key concepts as they are learned

Error Proof

- 162 pages of strategies and dialogue questions to help you stop daily goofs for good

- Over 100 proven best practices that you can use to help error proof your key work processes

- Can be paired with the 100 page workshop workbook that contains 13 team exercises to help you begin applying key ideas

Facilitating and Leading Teams

- 182 pages of ideas, tools, and examples to help you improve work team, project team, and focus team effectiveness

- 10 assessments that will help you identify areas of strength and weakness relative to work and project team support

- Over 20 team exercises that will help you optimize your use of teams and improve meeting effectiveness, while also practicing your facilitation skills

How to Develop a High Performance Work Culture

- 162 pages of ideas and examples to help you begin changing your existing work systems so that they are less likely to hold back your culture change and performance improvement efforts

- Over 30 examples of tools ad techniques that are used by high performance organizations to help shape their work cultures

- 14 team exercises to help you create work systems that support and encourage a high performance work culture

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